



Committed to the future of rural communities.

Multi-Family Housing Rural Rental Guaranteed (Section 538)

Program Type

To provide a loan guarantee to approved lenders to develop and repair apartments for tenants of very-low, low-, or moderate-income households, elderly, or disabled.

Purposes

- New construction (minimum of 5 units) and acquisition with substantial rehabilitation (\$6500/unit) in communities of up to 20,000
- Take-out permanent financing and combination construction/permanent loans
- Complexes may be units that are detached, semi-detached, row houses or multi-family structures

Eligible Applicants

An applicant can be a non-profit organization such as a local government, community development group or American Indian tribe, band, group or nation, or a for-profit corporation.

Eligible Areas

The program is limited to rural areas. Generally, communities are eligible if they have populations of not more than 20,000.

Eligible Lenders

- Eligible lenders include HUD, Fannie Mae and Freddie Mac approved multi-family lenders
- Lenders with multi-family lending experience and demonstrated capacity to provide all aspects of loan processing and servicing

Program Guidelines

- Designed for moderate income (incomes at the "initial occupancy" do not exceed 115% of median income)
- Rent (including tenant-paid utilities) for any unit at initial occupancy cannot exceed 30% of 115% of area median income, adjusted for family size

- Average rent (including tenant-paid utilities) for all units in a project cannot exceed 30% Loan of 100% of area median income
- The application process and competitive selection criteria will be described in an annual Notice of Funding Availability (NOFA) published in the Federal Register
- Regulations are available at: <http://www.rurdev.usda.gov/regs/hblist.html>

Benefits to Lenders

- 90% protection against loan losses
- Credit towards fulfillment of Community Reinvestment Act requirements
- Secondary mortgage market participation
- Loans exempted from lender's legal lending limits with no maximum loan amounts
- Enables lenders to expand their portfolios, while improving the economic health of rural communities
- No compliance issues (annual reporting required)
- No restrictions on return to owner

Benefits to Developers

- 90% or less for loans made to for-profit entities
- 97% or less for loans made to non-profit entities

Interest Rate Rates and Terms

- 25 year minimum., 40 year maximum
- 25 year minimum for balloon with 40 year amortization
- Best negotiated rate between lender and borrower fixed over the loan term
- Soft costs – some of the pre-development costs and developer's fee can be included in the loan package
- Compatible with the low-income tax credit program
- Provides an accessible funding source for rural communities

Typical Amount of Assistance

From \$2 to \$5 million.

Key to Success

Lender and developer driven.

When to Apply

Once a year a Notice of Funding Availability (NOFA) is published in the *Federal Register*. Generally this announcement is published as soon as possible after the start of the fiscal year beginning October 1.

<http://www.gpoaccess.gov/fr/index.html>.

Contact Information:

North Dakota Rural Development field offices and telephone numbers

Dickinson Area Office

(701) 225-9168, Ext. 4
(800) 688-2251, Ext. 4
TTY (800) 366-6889

Bismarck Local Office

(701) 250-3905
(800) 582-7584, Ext. 6
TTY (800) 366-6889

Counties Served: Adams, Billings, Bowman, Burleigh, Dunn, Golden Valley, Emmons, Grant, Hettinger, Kidder, Mercer, Morton, Oliver, Sioux, Slope, and Stark.

Minot Area Office

(701) 852-1754, Ext. 4
(800) 765-9476, Ext. 4
TTY (800) 366-6889

Williston Local Office

(701) 572-4597, Ext. 4
(800) 688-2308, Ext. 4
TTY (800) 366-6889

Counties Served: Bottineau, Burke, Divide, McKenzie, McHenry, McLean, Mountrail, Pierce, Renville, Rolette, Sheridan, Ward, Williams, and all of the Fort Berthold Indian Reservation.

Valley City Area Office

(701) 845-5150, Ext. 4
(800) 688-2293, Ext. 4
TTY (800) 366-6889

Counties Served: Barnes, Cass, Dickey, Griggs, LaMoure, Logan, McIntosh, Ransom, Richland, Sargent, Steele, Stutsman, and Traill.

Devils Lake Area Office

(701) 662-8634, Ext. 4
(800) 688-2279, Ext. 4
TTY (800) 366-6889

Counties Served: Benson, Cavalier, Eddy, Foster, Grand Forks, Pembina, Nelson, Ramsey, Towner, Wells, and Walsh.

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